

**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA**

UNITED STATES OF AMERICA	:	Criminal No. 12-
	:	
v.	:	VIOLATIONS:
	:	
KIMBERLE Y. DAVIS	:	18 U.S.C. §§ 371, 2(Conspiracy), Aiding and
	:	Abetting); 22 D.C. Code §§ 3211, 3212(a),
	:	1805 (First Degree Theft, Aiding,
	:	Abetting).
<u>Defendant.</u>	:	

INFORMATION

The United States Attorney charges that:

COUNT ONE - CONSPIRACY

INTRODUCTION

At all times relevant herein:

1. The Internal Revenue Service (IRS) is an agency of the United States of America, Department of the Treasury, and maintains its headquarters at 1111 Constitution Avenue, NW, Washington, D.C. The IRS has responsibility for administering provisions of the Internal Revenue Code and for collecting individual income taxes through several methods including obtaining funds that have been withheld from employees' wages by their employers.

2. The District of Columbia Office of Tax and Revenue (DC OTR) is a department within the government of the District of Columbia, a municipal corporation, and maintains its headquarters at 941 North Capitol Street, NE, Washington, D.C. DC OTR has the responsibility of collecting individual income taxes through several methods including obtaining funds that have been withheld from employees' wages by their employers.

3. Absent the grant of an extension, individuals who earn income in excess of certain minimums are required to file a Form 1040 series U.S. federal income tax return no later than April 15th of the calendar year immediately following the tax year.

4. Absent the grant of an extension, District of Columbia residents who earn income in excess of certain minimums are required to file a D-40, Individual Income Tax Return, no later than April 15th of the calendar year immediately following the tax year.

5. A Form W-2, Wage and Tax Statement, is an IRS form prepared by an individual's employer, which details the employer's name, address and identification number, and the employee's name, address, and social security number. The form also details, among other things, the employee's wages and federal and state income tax withheld by the employer.

6. Taxpayers are required to attach copies of the relevant Forms W-2 to their federal and state income tax returns.

7. Withholdings are an amount of money withheld from an employee's pay by the employer and forwarded to the IRS and to the District of Columbia or state taxing authority as an offset to the tax due by the taxpayer for the particular tax year.

8. A Schedule A - Itemized Deductions, is a tax form used to report itemized deductions, including medical and dental expenses; real estate and state and local taxes paid; mortgage interest; gifts to charity; casualty and theft losses; and job expenses, including un-reimbursed employee expenses such as job training, union dues, and job education; and tax return preparation fees. Total itemized deductions are deducted from Adjusted Gross Income to compute Taxable Income. In general, the higher the itemized deductions claimed, the lower will be the resultant taxable income.

9. A Schedule C - Profit or Loss From Business, is used to report income or loss from a business that the taxpayer operated or from a profession the taxpayer practiced as a sole proprietor. Expenses that can be reported on this Schedule include car and truck expenses, and travel, and meals and entertainment.

10. The IRS permits individuals to file their federal income tax return electronically as an "e-file return."

11. DC OTR permits individuals to file their D-40, Individual Income Tax Return, electronically as an "e-file return."

12. The Refund Anticipation Loan (RAL) is a program offered by certain private tax return preparers working in conjunction with certain banks. With RAL the taxpayer agrees to pay a certain fee to the tax return preparer and to a bank in order to receive his or her income tax refund more quickly than he or she would receive a check directly from the Federal or District of Columbia Government.

13. Beginning in approximately 2003 and continuing until approximately 2007, 2FT Fast Facts Tax Service, hereinafter referred to as "2FT," was a tax return preparation business, offering tax preparation services to the general public, which was located at 784 Harvard Street, NW, Washington, D.C. Beginning in approximately 2007, 2FT relocated to 1841 Burke Street, SE, Washington, D.C. 20003, Washington, D.C.

14. Since approximately 2003 and during all times relevant herein, 2FT was owned and operated by unindicted co-conspirator "S. D."

15. Defendant **KIMBERLE Y. DAVIS** and unindicted co-conspirator "S.D. are not related to each other.

16. At all times relevant herein, Defendant **KIMBERLE Y. DAVIS**, was employed as a full-time employee, by the District of Columbia Office of Tax and Revenue (CD OTR), as a control technician with respect to the homestead deduction, a tax benefit related to residential property ownership.

17. During the 2008 and 2009 tax filing seasons, that is, from on or during January 2009 through on or during April 2009 and from on or during January 2010 through on or during April 2010, on a part-time basis during the evenings, Defendant **KIMBERLE Y. DAVIS** also worked for unindicted co-conspirator "S.D."

18. Defendant **KIMBERLE Y. DAVIS**' duties at 2Ft were to answer telephone calls; to make appointments for 2FT clients; and to input the client's biographical information (name, address, social security number, and dependent information), the client Form W-2, Wage and Tax Statement, and the client Form 1099, Miscellaneous Income, into the 2FT computer software, which unindicted co-conspirators "S.D." and "L.D." used to file tax returns electronically.

19. Defendant **KIMBERLE Y. DAVIS** provided 2FT clients with false charity receipts to be used in the event the client was audited by the tax authorities.

20. During 2009, 2010, and 2011, Defendant **KIMBERLE Y. DAVIS** accessed DC OTR computer records concerning the audit status of particular 2FT clients.

21. Unindicted co-conspirator "S. D." was training Defendant **KIMBERLE Y. DAVIS** to prepare tax returns so that 2FT could handle more clients.

22. Defendant **KIMBERLE Y. DAVIS** knew that the income tax returns being prepared for 2FT clients were fraudulent, because she prepared her own false income tax returns while working at 2FT and created her own false supply of documents to substantiate losses she claimed on her tax returns.

23. Defendant **KIMBERLE Y. DAVIS** knew that unindicted co-conspirator “S.D.’s” goal for 2FT was to create fraudulent income tax returns, resulting in fraudulent income tax refunds for virtually all of 2FT’s clients.

24. From on or during January 2009 through on or about April 15, 2010, the Defendant, **KIMBERLE Y. DAVIS**, unindicted co-conspirators, “S.D.” and “L.D.,” and other individuals whose identities are known and unknown filed approximately 973 fraudulent federal income tax returns for clients of 2FT with the Internal Revenue Service (IRS) (Approximately 613 income tax returns for tax year 2008 and approximately 360 income tax returns for tax year 2009), producing fraudulent income tax refunds totaling approximately \$3,767,981.00; filed approximately 282 fraudulent District of Columbia income tax returns with the District of Columbia Office of Tax and Revenue (DC OTR)(Approximately 150 income tax returns for tax year 2008 and approximately 132 income tax returns for tax year 2009), producing fraudulent income tax refunds totaling approximately \$304,909.00; and also filed fraudulent income tax returns with the State of Maryland and with the Commonwealth of Virginia, generating fraudulent income tax refunds in an amount currently unknown.

(Conspiracy, Aiding and Abetting, in violation of 18 United States Code, §§ 371 and 2).

THE CONSPIRACY

25. From on or about January 1, 2009, until on or about April 15, 2010, the Defendant, **KIMBERLE Y. DAVIS**, joined unindicted co-conspirators “S.D.,” and “L.D.,” and other individuals whose identities are known and unknown, in an on-going conspiracy, being perpetrated within the District of Columbia and elsewhere. The Defendant, **KIMBERLE Y. DAVIS**, unindicted co-conspirators, “S.D.,” “L.D.,” and other individuals whose identities are known and unknown, did unlawfully, knowingly, and willfully, conspire and agree together and with each other, and with persons both known and unknown:

A. To commit an offense against the United States of America, United States Department of Treasury, Internal Revenue Service, that is Aiding or Assisting in the Preparation of a Fraudulent Return, in violation of Title 26, United States Code, Section 7206(2), and

B. To defraud the United States of America, United States Department of the Treasury, Internal Revenue Service, by impeding, impairing, obstructing and defeating the lawful functions of the Internal Revenue Service, in the ascertainment, computation, assessment, and collection of the revenue, to wit, income taxes, in the approximate amount of \$3,767,9817.00; through the filing of 973 fraudulent Federal income tax returns, Forms 1040, which included fraudulent Schedules A and Schedules C, and which claimed deductions to which various 2FT clients were not entitled and thereby generated fraudulent income tax returns and fraudulent income tax refunds.

THE GOAL OF THE CONSPIRACY

26. It was the goal of the conspiracy that the defendant, **KIMBERLE Y. DAVIS**, unindicted co-conspirators “S.D.,” and “L.D.,” and other individuals whose identities are known and unknown, would enrich unindicted co-conspirator “S.D.,” the owner of 2FT, by charging fees for the preparation of income tax returns, by charging larger fees for larger refunds, by generating repeat customers and word-of-mouth referrals, and by receiving RAL (Refund Anticipation Loan) fees, by electronically filing fraudulent U.S. federal income tax returns, fraudulent District of Columbia Forms D-40, Individual Income Tax Returns, fraudulent State of Maryland, and Commonwealth of Virginia Individual Income Tax Returns, the Schedule As and Schedule Cs attached and in support of which, listed fraudulent businesses purportedly owned and operated by the taxpayers and fraudulent itemized deductions, and the Forms 1040 for which often also listed fraudulently-claimed credits, all of which caused the clients’ Taxable Income to be grossly understated and resulted in fraudulent income tax refunds paid by the United States Government, Internal Revenue Service and the District of Columbia, Office of Tax and Revenue.

MANNER AND MEANS

27. In order to further the objects and goals of the conspiracy, the defendant, **KIMBERLE Y. DAVIS**, unindicted co-conspirators “S.D.,” and “L.D.,” and other individuals whose identities are known and unknown, used the following manners and means, among others:

A. Beginning in approximately 2003, unindicted co-conspirator "S.D." maintained a business office for 2FT for the purpose of conducting a tax return preparation service, which was open to the public, initially located at her residence located at 784 Harvard Street, NW, Washington, D.C. and relocated in approximately 2007, to her residence at 1841 Burke Street, SE, Washington, D.C. 20003.

B. At all times relevant herein, unindicted co-conspirators "S.D." and "L.D." would ask each 2FT client to complete a questionnaire before preparing the client's income tax return.

C. At all times relevant herein, unindicted co-conspirators "S.D." and "L.D." would require each 2FT client to provide identification, a social security card, and receipts and invoices, if any.

D. Unindicted co-conspirator "S.D." would instruct unindicted co-conspirator "L.D." to prepare tax returns for 2FT clients so that the clients would get back all of their withholdings and further instructed her to use IRS tax form Schedule C - Profit and Loss From a Business, to reduce the client taxable income.

E. Unindicted co-conspirator "S.D." would instruct unindicted co-conspirator "L.D." to falsify, and she and unindicted co-conspirator "L.D." did in fact falsify information contained on client Schedules C - Profit or Loss From Business, including business mileage, and also falsified itemized deductions contained on Schedules A - Itemized Deductions, including mortgage interest, charitable deductions, medical expenses, uniforms, and un-reimbursed employee expenses in order to qualify clients for the Earned Income Credit and to reduce taxable income, and get back from the government all of the clients' withholdings.

F. Unindicted co-conspirator “S.D.” would instruct unindicted co-conspirator “L.D.” to falsify, and un-indicted co-conspirator “L.D.” did in fact falsify the purported principal business or profession listed on the Schedules C - Profit or Loss From Business, falsely indicating that 2FT clients were engaged in the business or profession of, among others, “maintenance,” “babysitting,” “hair braiding,” and “sales,” “home improvement,” “driver,” “clothing store,” “rental property,” “landscaping,” “laborer,” “security,” “IT networking,” “management,” and “data entry.”

G. When a 2FT client did not have any tax withholdings, unindicted co-conspirators “S.D.” and “L.D.” would ensure that the client would receive an income tax refund by falsifying entries on the tax return or by asking the client for the amounts of their itemized deductions without any substantiation.

H. During her employment at 2FT, Defendant **KIMBERLE Y. DAVIS** performed the following duties: answered telephone calls; made appointments for 2FT clients; and input the client’s biographical information (name, address, social security number, and dependent information), the client Form W-2, Wage and Tax Statement, and the client Form 1099, Miscellaneous Income, into the 2FT computer software, which unindicted co-conspirators “S.D.” and “L.D.” used to file tax returns electronically.

I. Defendant **KIMBERLE Y. DAVIS** provided 2FT clients with false charity receipts to be used in the event the clients were audited by the tax authorities.

J. During 2009, 2010, and 2011, Defendant **KIMBERLE Y. DAVIS** accessed D.C. OTR computer records concerning the audit status of particular 2FT clients.

OVERT ACTS

28. Within the District of Columbia, and elsewhere, in furtherance of the above-described conspiracy and in order to carry out the objects thereof, Defendant **KIMBERLE Y. DAVIS**, unindicted co-conspirators “S.D.” and “L.D.” and other individuals whose identities are known committed the following overt acts, among others:

A. On or about March 9, 2009, unindicted co-conspirator “L.D.” prepared a 2008 U.S. Individual Income Tax Return, Form 1040, for 2FT client “K.M.,” which falsely claimed on the Schedule A - Itemized Deductions, cash to charity in the amount of \$8,000.00; and falsely claimed on the Schedule C - Profit or Loss From Business, car and truck expenses in the amount of \$49,500.00, and “other expenses,” in the amount of \$12,400.00, reflecting an income tax refund due in the amount of \$9,087.00.

B. On or about March 9, 2009, unindicted co-conspirator “L.D.” caused the electronic filing of the above-referenced 2008 U.S. Individual Income Tax Return, Form 1040, for 2FT client “K.M.,” via the Internet.

C. On or about March 9, 2009 unindicted co-conspirator “L.D.” charged 2FT client “K.M.” a income tax preparation fee payable to 2FT.

COUNT TWO

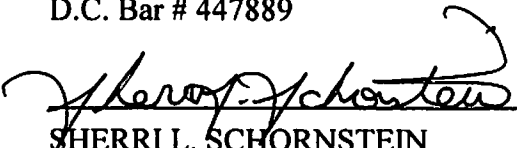
1. The allegations contained in Paragraphs One through Twenty-four of this Information are hereby re-alleged and incorporated as if fully set forth herein.

2. Between on or about January 1, 2009 and April 15, 2010, the defendant, **KIMBERLE Y. DAVIS** having participated in the above-described conspiracy, did knowingly and wrongfully obtain and use property of a value of \$250.00 or more, belonging to the District of Columbia government, a municipal corporation, Office of Tax and Revenue, consisting of money, that is, Government of the District of Columbia tax refunds in the approximate amount of \$304,909.00 through the filing of 282 fraudulent District of Columbia income tax returns.

(First Degree Theft, Aiding and Abetting in violation of Title 22, D.C. Code § 3211, 3212(a), 1805).

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